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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

12 April 1957

REVISED STAFF MEMORANDUM No. 22-57 (supersedes 22-57 of 11 April 1957)

SUBJECT: The Argentine Situation

Conclusions

1. Thus far the Provisional Government of the armed forces, headed by General Aramburu, has demonstrated a remarkable capacity to survive periodic crises during the 17 months of its existence. However, as the regime approaches the last year of its temporary receivership and prepares to transfer power to a duly elected <sup>government</sup>, it is likely to become increasingly vulnerable to overthrow, particularly as political and military maneuvering increases in connection with revision of the Constitution and subsequent national elections scheduled for 23 February 1958. The regime's principal problem with regard to elections is to head off Radical Party leader Arturo Frondizi, still the chief contender for the Presidency. Unless the regime is able to reduce Frondizi's chances of election by tactical maneuvers in the Constituent Assembly and unless there emerges by the end of 1957 a strong party or coalition with which the incumbents are in closer sympathy, there is a better than even chance that anti-election

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DOCUMENT NO. 25  
NO CHANGE IN CLASS. ☒  
☐ DECLASSIFIED  
CLASS. CHANGED TO: TS 8 (C)  
NEXT REVIEW DATE: 1990  
DATE: 3/26/80 REVIEWER: 009256

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army elements will attempt to depose General Aramburu and forestall elections. If successful, Argentina would then be ruled by an increasingly authoritarian regime, which would eventually have to give way to one commanding mass support. On the other hand, antagonism among civilian and military elements to the regime's efforts either to blatantly rig elections or to delay them further might precipitate Aramburu's overthrow.

2. The Aramburu regime, which inherited a prostrate economy from Peron, has thus far been unable either to increase agricultural production for export, to attract foreign capital, or to halt Argentina's deteriorating financial situation. Largely for political reasons, it recently abandoned a proposed austerity program in favor of minimal remedial actions designed merely to stall off the impending financial crisis until after the presidential elections. Assuming these economic policies continue and that elections are actually held, any new government will almost certainly be faced immediately with a seriously weakened financial position and a balance of payments crisis.

#### Discussion

1. Since it assumed power in November 1955, the stability of the Provisional Government has been threatened by interservice rivalry, factionalism within the army, subversive Peronist activities, and labor discontent. However, the regime has shown a remarkable capacity for

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survival, chiefly due to two factors: (1) Aramburu's role as that of compromiser among and spokesman for the military junta which exercises the real political power; (2) a general fear among the military supporting the regime of the capabilities of the leftist forces. The regime, in its battle for self-preservation, has attempted to reduce factionalism within the military. It has undertaken periodic purges of dissident military in order to achieve a greater measure of unity within the regime, thus providing the younger officers important in Peron's ouster with increased opportunity and influence. At the same time, it has thwarted the ambitions of over-zealous younger officers by sending them abroad to attache posts. Recently the regime survived crises precipitated by first the Under Secretary of the Navy, and then the Air Minister, which threatened to undermine the government.

4. Moreover, the regime has not flinched from dealing firmly with the subversive opposition. It has summarily arrested Peronist, Communist, and nationalist elements whom it has believed to be intent on precipitating its overthrow through sabotage, strikes, and subversion. Although the regime has attempted to placate labor with wage increases and social legislation, it has not succeeded in gaining the active support of the still party-less Peronists.

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5. The Aramburu government is committed to the re-establishment of a democracy and a free economy. Although its achievements have been notable, it has thus far been generally unable to broadly implement its basic program. The government has recently announced its election timetable. Elections for a Constituent Assembly are to be held 28 July 1957 with revision of the Constitution of 1853 to be undertaken in September. General elections are scheduled for 23 February 1958 with the transfer of power to be effected on 1 May 1958. Although 40 parties have been recognized to compete in the elections, no party or coalition of moderate-conservative orientation has yet appeared which might be able to contest the candidacy of Arturo Frondizi, leader of the dominant leftist faction of the Radical Party, and still the chief contender for the Presidency. Army anti-election elements within the regime are strongly opposed to Frondizi, who they believe would head a nationalistic, labor-oriented government.

6. The Aramburu government is likely to become increasingly vulnerable to overthrow as the election date approaches. Unless the regime is able to reduce Frondizi's chances of election by tactical maneuvers in the Constituent Assembly and unless there emerges by the end of 1957 a strong party or coalition with which the incumbents are in closer sympathy, there is a better than even chance that anti-election army elements will attempt to depose General Aramburu and forestall elections.

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On the other hand, antagonism among civilian and military elements to the regime's efforts either to blatantly rig elections or to delay them further might precipitate Aramburu's overthrow.

7. Implementation of the regime's economic program has been hindered by political considerations, particularly by political leaders, who, although initially united by their anti-Peronist orientation, continue to disagree regarding the solutions to Argentina's basic economic problems. The economic situation has shown virtually no improvement since the Aramburu regime came to power. The regime has failed to raise production for export and to attract foreign private investment. Its financial position is precarious. A \$210 million balance of payments deficit is anticipated in 1957. Official gold and dollar reserves at the end of February 1957 totaled \$225 million, compared to \$438 million at the time of Peron's ouster. In order to "stave off national bankruptcy", former Finance Minister Verrier recently proposed an austerity program designed to free the economy; however, the strong opposition of civilian cabinet and political leaders, probably with some military support, caused the regime to set aside this program in favor of tapping the IMF and other credit sources in Western Europe in order to stall off the impending financial crisis until after elections.

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Validity of NIE

8. We believe that NIE 91-56 is still basically valid. Self-preservation is still the immediate problem of the present government. Serious armed forces dissension still persists. The regime continues to be unable to broadly implement its basic program.. It still has not resolved the dilemma of satisfying the aspirations of the laboring classes, while at the same time attacking Argentina's pressing economic problems. Virtually no progress has been made toward assuring an orderly transfer of power to a duly elected civilian government with which the incumbent regime is in sympathy.

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